

Chair
Cabinet Economic Development Committee

PROPOSED APPROACH FOR AUCKLAND'S RAPID TRANSIT NETWORK PROGRAMME

Proposal

- 1 This paper informs Cabinet of my proposed approach to the development of a Rapid Transit Network (RTN) programme for Auckland. It seeks Cabinet agreement for the initial focus to be placed on delivering the city-to-airport light rail transit on an accelerated schedule and reflects my endorsement of the revised Auckland Transport Alignment Project (ATAP) indicative package findings.

Executive summary

- 2 Rapid transit can play a central role in supporting a number of the Government's transport and urban development objectives in Auckland, including improving access, reducing congestion and emissions, and helping to create a more resilient transport network.
- 3 An indicative RTN programme envisages a mix of light rail, bus rapid transit and heavy rail developments across Auckland. The RTN programme will be integrated with urban development initiatives. Light rail is a high priority in the findings of the revised ATAP indicative package, with specific priority given to the city-to-airport route and the northwestern route. The revised ATAP indicative package was approved by Cabinet on 24 April 2018 [CAB-18-MIN-0169].
- 4 I endorse the findings of the revised ATAP indicative package and propose that the city-to-airport light rail transit be prioritised and delivered on an accelerated schedule (referred to as the "city-to-airport link").
- 5 The New Zealand Transport Agency (NZTA) will lead the preparation of a single stage business case (including economic, financial and commercial aspects) for the city-to-airport link and all subsequent projects within the RTN programme, for consideration by the Government.
- 6 The draft Government Policy Statement on land transport (GPS) 2018 creates an activity class funding range of between \$1.9 billion and \$4.7 billion for rapid transit. Funding in this activity class can be used for rapid transit developments in Auckland, Wellington, Christchurch and other city centres. A portion of this provides a sufficient level of funding to start on the city-to-airport link and support further RTN developments. It is intended that the Auckland RTN could be delivered through a Public-Private Partnership (PPP) or other appropriate funding and financing arrangements which may be established.
- 7 The Government has received an unsolicited proposal from the New Zealand Super Fund for the exclusive review of the Auckland Light Rail Project. Under this proposal the New Zealand Super Fund would be responsible for the planning, financing,

procurement, construction and operating phases of the city-to-airport and northwestern lines. It is important that the Government sets up a robust process by which all potential proposals can be considered and I propose that NZTA be the lead agency in establishing this process, in conjunction with the Ministry of Transport and the Treasury. I also propose that the NZTA in conjunction with the Ministry of Transport and the Treasury, establish and report back to the Minister of Finance and Minister of Transport on a process to engage with a range of prospective partners and provide advice on potential procurement options, including how partnership opportunities can be considered. This process could include a market sounding exercise which would signal the Government's commitment to the project and intention to consider partnership opportunities.

- 8 Important decisions still need to be worked through regarding delivery, governance, ownership and operation of the RTN network once it is built. I expect the RTN governance arrangements to reflect the standards and practices that have been developed for similar, significant projects in government and elsewhere. This includes clear decision rights and responsibilities, and well-resourced governance arrangements that include independent governors who can work alongside decision-makers and bring a whole of project perspective. I also envisage either long-term borrowing by the NZTA through the National Land Transport Fund (NLTF) or a partnership approach for the delivery of the programme. Having the key organisations working together in such an arrangement will help to ensure the work is well aligned and coordinated.
- 9 I will be consulting with interested Ministers on a range of RTN matters, including governance arrangements, funding and financing, and other measures that can help accelerate the city-to-airport link. I expect to report back to Cabinet for approval of funding and governance arrangements following advice from officials and ministerial consultation.
- 10 Officials are assessing a range of options, both within existing legislative frameworks and also potential legislative changes, to help accelerate the city-to-airport link to meet the expected timeframe. Legislation relevant to this analysis includes the Resource Management Act 1991 and the Public Works Act 1981. Ministry of Transport officials' initial assessment of legislative implications of the city-to-airport link indicates that extensive legislative changes are not likely to be required to meet the expected timeframe. However, some legislative changes within the existing frameworks may be needed.
- 11 I am expecting advice shortly from officials on the assessment of options, both within existing legislative frameworks and also potential legislative changes, and I will be consulting with interested Ministers in the coming weeks, including the Minister for the Environment and the Minister for Land Information. I will seek Cabinet policy decisions on legislative proposals which will be progressed through the Auckland Rapid Transit Network Legislation Bill (the Bill).

Background

- 12 Transport is a critical part of daily life for all New Zealanders. We use transport for access to services, freight, travel for work, education, health, and for visiting family and friends.
- 13 Investing in Auckland's transport infrastructure is vital to the quality of life of Aucklanders and the economy of our largest city. But in order to meet the needs of this growing city, we cannot simply keep investing in building and maintaining the road network. Public transport is vital to improving access by moving large numbers of people through the network at peak times, which helps to reduce congestion on the road network. Public transport (especially rapid transit) and walking and cycling can enable opportunities to shape the transport landscape to create more liveable cities.
- 14 Rapid transit can play a central role to help deliver and support the Government's transport objectives in a number of areas. Rapid transit improves access by providing high quality, frequent public transport services in dedicated corridors. Rapid transit helps to reduce the impact of transport on the environment by reducing emissions through fewer vehicles on the roads and reduced congestion. It also helps to promote a more resilient transport network.
- 15 Past investment in Auckland's public transport, rapid transit, and walking and cycling has not been sufficient to allow these modes to deliver all the benefits that they offer. The draft GPS 2018, which outlines the Government's strategy to guide land transport investment over the next 10 years, proposes to address this imbalance by increasing spending on public transport and walking and cycling, and introducing spending on rapid transit.
- 16 In Auckland, the Government and Auckland Council are working together through ATAP to agree a strategic approach to transport investment in Auckland that addresses the region's challenges and supports shared objectives. The ATAP indicative investment package, which provides a signal of strategic priorities, has been updated to take into account the new Government's priorities. Rapid transit forms the backbone of Auckland's public transport network and the revised ATAP indicative package recommends accelerating rapid transit investments. Cabinet approved the findings of this work on 24 April 2018 [CAB-18-MIN-0169].

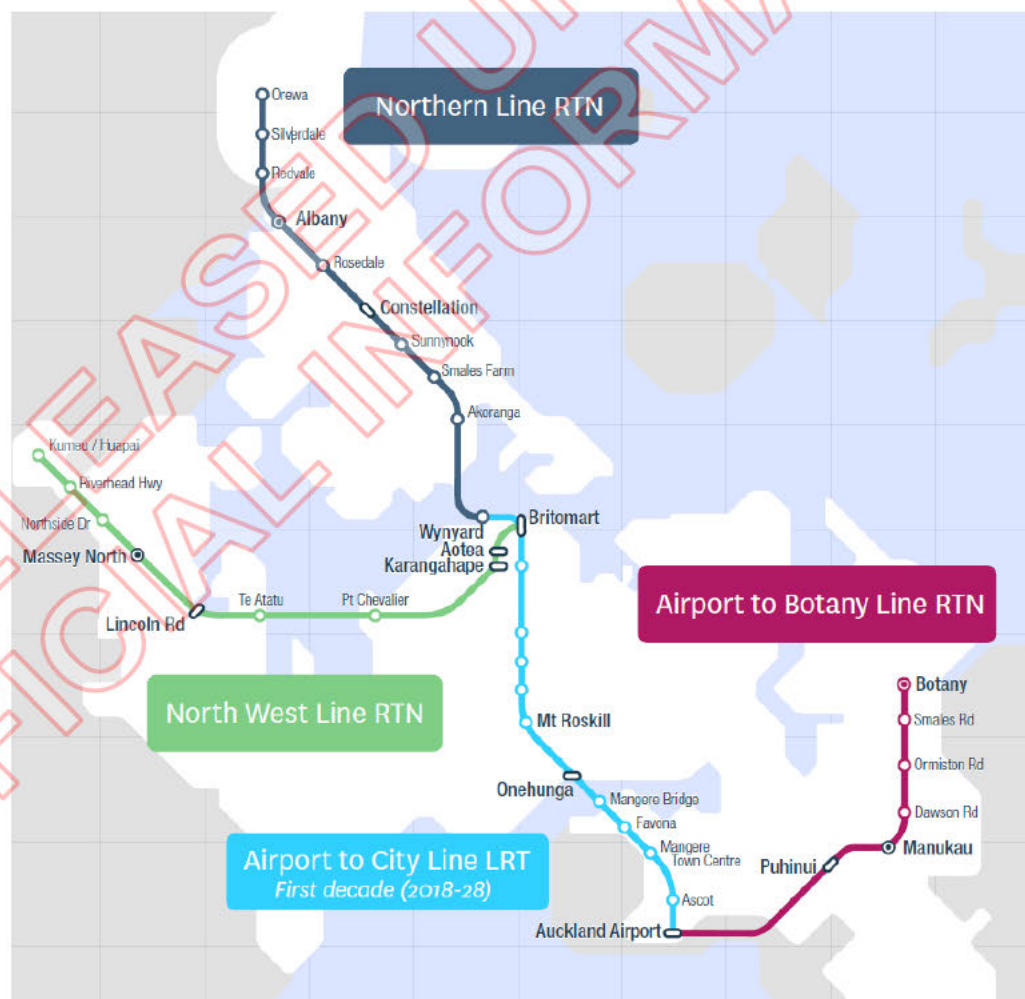
Proposed approach for Auckland's RTN programme

- 17 The revised ATAP indicative package sets out how Auckland's RTN (including heavy rail, light rail and buses) may develop over the next decade. Light rail is a high priority in the findings of the revised ATAP indicative package, with specific priority for the city-to-airport route and the northwestern route.
- 18 The RTN programme will be integrated with urban development initiatives. It will be linked with the public housing developments and other urban developments envisaged along the corridors as well as fully integrated with the wider transport networks connecting with the corridors - public transport, walking, cycling and roading.

City-to-airport light rail transit corridor

- 19 I endorse the findings of the revised ATAP indicative package and propose that the city-to-airport light rail transit corridor be prioritised and delivered on an accelerated schedule (referred to as the “city-to-airport link”). Detailed design of corridor is yet to be undertaken.
- 20 The city-to-airport light rail transit corridor could run from the airport through Mangere, Onehunga and Mount Roskill, then along Dominion Road through to Queen Street in Auckland’s city centre before terminating in the Wynyard Quarter waterfront urban regeneration development area. This alignment could add potentially fifteen new stations between the airport and Wynyard Quarter.
- 21 Overall, the light rail transit corridor is expected to greatly increase the transport accessibility for communities along the route and provide urban development opportunities.
- 22 The following figure illustrates the indicative city-to-airport light rail transit and the other RTN corridors which are described in further detail below.

Figure 1: City-to-airport link and indicative RTN programme



Other corridors of the indicative RTN programme

23 There are a range of options of how the rapid transit corridors could be staged, such as completing sections of light rail infrastructure used by buses in the interim while the rest of the corridor is completed. The envisaged approaches for the other three corridors are as follows:

- Airport to Botany line - would initially focus on establishing bus rapid transit between the airport and the Puhinui metro-rail station to improve access to the city. The majority of this bus priority route may be operational by the America's Cup and scheduled APEC summit in 2021. The bus rapid transit between the airport and the Puhinui is expected to provide travellers with a reliable and prioritised public transport connection between the airport and city, with a single transfer of service at Puhinui station. It is envisaged that this bus rapid transit line would then be progressively extended through Manukau Centre to Botany over the next two decades, beginning with bus priority measures over the next decade.
- North West line - ATAP considered that completion of this in the first decade is unaffordable without new funding sources. It recommends the first stage is progressed and further work is undertaken on how best to develop the corridor for light rail. It would focus on growing patronage through extended and improved bus rapid transit facilities, including new transfer stations similar to those on the northern bus rapid transit line. It is envisaged that the transition to light rail transit would start within 10 years.
- Northern line - would focus on continuing to grow patronage by extending and improving the existing bus rapid transit in the first 10 years. This development would be designed to support a transition to a higher capacity mode (likely to be light rail) at a later stage.

24 The other indicative RTN corridors will be progressed as part of related government work, including the revised ATAP indicative investment package and Growing Auckland.

25

[REDACTED]

Withheld
under
sections
9(2)(ba)(i), 9(2)(i),
9(2)(j)

Business cases to support the RTN programme and city-to-airport link

26 A considerable amount of work has been undertaken on the case for the RTN programme. ATAP sets out the strategic case and was supported by the NZTA Board in 2016. A programme business case for the airport access programme, which included the city-to-airport link, has been supported by the NZTA Board. A single stage business case for the city-to-airport link (including economic, financial and commercial aspects) will be prepared by the NZTA and its partners for consideration by the Government.

- 27 The revised ATAP indicative package provides direction to the wider RTN programme. Specific projects will then be supported by single stage business cases, in a similar fashion as proposed above for the city-to-airport link.

Funding and financing for the RTN programme

- 28 The draft GPS 2018 creates an activity class funding range of between \$1.9 billion and \$4.7 billion for rapid transit. Funding in this activity class can be used for rapid transit developments in Auckland, Wellington, Christchurch and other city centres. If approved by Cabinet, I consider that a portion of this provides a sufficient level of funding to start on the city-to-airport link. I note that the revised ATAP indicative package includes \$1.8 billion in initial funding for the city-to-airport route and the northwestern route.

- 29 Although the draft GPS 2018 intends some funding be made available, all potential funding and financing options will need to be considered for the city-to-airport link and also the broader RTN programme. This will include consideration of options such as value capture (through local government targeted rates or other mechanisms), PPPs and other financing arrangements. As part of the Urban Growth Agenda, the Treasury is leading work on alternative funding and financing options for infrastructure investment. Findings or recommendations from that work will be factored into the assessment of funding and financing options.

- 30 The Government has received an unsolicited proposal from the New Zealand Super Fund for the exclusive review of the Auckland Light Rail Project. Under this proposal the New Zealand Super Fund be responsible for the planning, financing, procurement, construction and operating phases of the city-to-airport and northwestern lines. [REDACTED]

Withheld under
sections
9(2)(ba)(i),
9(2)(i), 9(2)(j)

- 31 It is important that the Government sets up a robust process by which all potential proposals can be considered. The Government needs to maximise the value it gains from any potential PPP arrangement and minimise any risks. I propose that the NZTA be the lead agency in establishing this process, in conjunction with the Ministry of Transport and the Treasury, and report back to the Minister of Finance and me.

- 32 I also propose that the NZTA in conjunction with the Ministry of Transport and the Treasury, jointly establish and report back to the Minister of Finance and Minister of Transport on a process to engage with a range of prospective partners and provide advice on potential procurement options, including how partnership opportunities can be considered. This process would include a market sounding exercise which would signal the Government's commitment to the project and intention to consider partnership opportunities. It would seek the views of a range of investors, contractors and service providers domestically and internationally. The proposal assessment process must be fair and ensure the project delivers value for money.

- 33 Auckland needs to grow its transport infrastructure, and the National Land Transport Fund (NLTF) will support this growth at a level of funding that reflects Auckland's population share. I have publically committed to ensuring Auckland receives its fair share. I note that the ATAP programme assumed a contribution of 38 percentage of

the NLTF to the broader ATAP package. This commitment is important because it ensures that:

- Auckland receives the necessary funding it requires; and
- regional New Zealand does not perceive that they are funding developments in Auckland.

34 I will consult with the Minister of Finance and other interested Ministers on potential funding and financing options for the RTN programme as they develop.

Proposed approach to institutional and governance arrangements

35 This is a significant infrastructure project, with complex challenges that include a challenging introduction-into-service component, corridor development, and a requirement for multiple agencies to be directly engaged in delivery of the project from the outset.

36 No single, existing governance vehicle will be able to govern the project. I expect the RTN governance arrangements to reflect the standards and practices that have been developed for similar, significant projects in government and elsewhere. This includes clear decision rights and responsibilities, and well-resourced governance arrangements that include independent governors who can work alongside decision-makers and bring a whole of project perspective.

37 I also envisage a partnership approach for the delivery of the programme. Having the key organisations working together in such an arrangement will help to ensure the work is well aligned and coordinated.

38 Important decisions still need to be worked through regarding delivery, ownership and operation of the RTN network once it is built. I am expecting advice from officials on appropriate governance and delivery arrangements and will consult with interested Ministers in due course.

Options and measures that could help accelerate the city-to-airport link

39 Officials are assessing a range of options and measures to help accelerate the city-to-airport link. The focus has been on finding ways to use existing powers and minimising the need for any legislative changes where possible.

Consideration of options within existing frameworks and possible legislative changes

40 The pace at which I propose to progress the city-to-airport link means that legislative changes may be needed to help meet the expected timeframe. However, options within the existing frameworks are possible and these are being considered alongside any possible legislative changes. A number of government agencies are involved in this assessment of options, including the Ministry of Transport, Land Information New Zealand (LINZ), the Ministry for the Environment, the Ministry for Business, Innovation and Employment (MBIE) and the NZTA.

41 Legislation relevant to this analysis includes the Resource Management Act 1991 and the Public Works Act 1981. Ministry of Transport officials have informed me that an

initial assessment of legislative implications of the city-to-airport link indicates that extensive legislative changes, such as those that were used for the accelerated development of the National War Memorial in Wellington, are not likely to be required to meet the expected timeframe. However, legislative changes within the existing frameworks may be needed.

- 42 I am expecting advice shortly from officials and I will be consulting with interested Ministers in the coming weeks, including the Minister for the Environment and the Minister for Land Information.
- 43 Earlier this year I submitted a legislative bid for an Auckland Rapid Transit Network Legislation Bill (the Bill) with a proposed priority of category 5, which means that it is expected to be referred to select committee within the 2018 calendar year. I will seek Cabinet policy decisions on any required legislative changes and these will be progressed through the Bill. This Cabinet paper will also outline the nature and timing of any options for public engagement on the city-to-airport link and/or associated impacts of proposals within existing frameworks or legislative amendments to accelerate delivery.
- 44 A number of other measures that would help accelerate the city-to-airport link are being explored and I will be consulting with interested Ministers where appropriate.

Treasury comment

- 45 In terms of cost, light rail in Auckland will be one of the biggest projects New Zealand has seen. Moreover, the Minister's ambition is to make it only one part of a wider urban development and housing programme. The Treasury supports this vision.

Business Case

- 46 The Treasury notes that Treasury officials have not had the benefit of reviewing business cases prepared for the RTN to date. The Treasury supports the development of single stage business cases for each project under the RTN programme. These business cases should:
- provide Cabinet with the assurance that execution risks are well managed.
 - provide assurance that a full range of delivery and technology options have been considered to ensure the Government's objectives are met and value for money is being maximised.
 - clarify whether a PPP or other procurement process would offer best value for money.
- 47 The Treasury therefore recommends that officials be given the opportunity to review and prepare advice for Ministers on more detailed business cases, prior to any Cabinet decision to proceed with specific projects within the RTN programme.

Proposal to announce receipt of proposal from the New Zealand Super Fund

- 48 The Treasury welcomes the consideration of alternative procurement and financing models for the Auckland Light Rail Project. The proposal received from the New

Zealand Super Fund is indicative of the strong market appetite for the project and we are aware of a number of interested investors and contractors.

- 49 We will establish an appropriate process for consideration of the proposal and report back to the Minister of Finance and Minister of Transport with further advice.
- 50 In the interim, we consider it imperative that the active consideration of a single proposal is not publicly announced. To do so would prejudice the active consideration of the proposal or subsequent procurement processes for the project.
- 51 We are supportive of a general publicity statement that there is expressed interest in partnering with the Government. It sends a strong signal that the Government is open to such opportunities but we consider that an appropriate process needs to be implemented to ensure value for money and a fair process. We recommend that the party from which a proposal was received is not named in any announcement as there is a risk it could be interpreted as advanced consideration or favour being shown towards a specific proposal.

Next steps

- 52 I will be consulting with interested Ministers in the coming weeks on specific RTN matters, including governance arrangements, legislative options and other measures that can help accelerate the city-to-airport link.
- 53 I will seek Cabinet consideration of any legislative proposals.

Consultation

- 54 The Treasury and the NZTA have been consulted on this paper. LINZ, MBIE, the Ministry for the Environment have been consulted on an earlier version of this paper. The Department of Prime Minister and Cabinet has been informed on an earlier version of this paper.

Financial Implications

- 55 There are no financial implications to this paper.

Human rights, gender implications, disability perspective

- 56 There are no human rights, gender, or disability issues or implications associated with this paper.

Legislative Implications

- 57 There are no legislative implications to this paper.
- 58 I will report back to Cabinet on proposed legislative changes to be included in the Auckland Rapid Transit Network Legislation Bill.

Regulatory Impact Analysis

- 59 The regulatory impact statement requirements do not apply to this proposal.

- 60 A regulatory impact statement will be prepared for the Cabinet paper including any legislative proposals.

Publicity

- 61 In line with Cabinet's agreement to accelerate the development of the Auckland Rapid Transit Network in ATAP [CAB-18-MIN-0169], the Prime Minister, Minister of Finance and I intend to announce that:
- the Government will now undertake a market sounding to explore procurement options with a range of prospective partners; and
 - an unsolicited proposal for the delivery of Auckland Light Rail has been received from the New Zealand Super Fund.
- 62 The Office of the Minister of Finance, the Office of the Minister of Transport and the NZTA will jointly manage the publicity resulting from any decisions in this paper in conjunction with the Prime Minister's Office.

Recommendations

The Minister of Transport recommends that the Committee:

- 1 **note** that rapid transit can play a central role in supporting a number of the Government's transport and urban development objectives, including improving access, reducing congestion and emissions, and helping to create a more resilient transport network
- 2 **note** that Cabinet approved the revised Auckland Transport Alignment Project (ATAP) indicative investment package [CAB-18-MIN-0169] which sets out how Auckland's Rapid Transit Network (RTN) may develop over the next decade (including heavy rail, light rail and buses), with the light rail priorities being the city-to-airport route and the northwestern route
- 3 **agree** that, in support of the revised ATAP indicative package findings, the city-to-airport light rail transit be prioritised and delivered on an accelerated schedule (referred to as the "city-to-airport link")
- 4 **agree** that the New Zealand Transport Agency (NZTA) will lead the preparation of a single stage business case (including economic, financial and commercial aspects) for the city-to-airport link and all subsequent projects within the RTN programme, for consideration by the Government
- 5 **note** that the majority of an airport to Puhinui bus priority route may be operational by 2021 to provide travellers with a reliable and prioritised public transport connection between the airport and city, with a single transfer of service at Puhinui station
- 6 **note** that the draft Government Policy Statement on land transport (GPS) 2018 creates an activity class funding range of between \$1.9 billion and \$4.7 billion that can be used for rapid transit developments in Auckland, Wellington, Christchurch and other city centres

- 7 **note** that a portion of the funding in the draft GPS 2018 provides a sufficient level of funding to start on the city-to-airport link and will also support further RTN developments if appropriate funding and financing arrangements can be established
- 8 **note** that the Government has received an unsolicited proposal from the New Zealand Super Fund for the exclusive review of the Auckland Light Rail Project, including both the city-to-airport and northwestern line, which would involve responsibility for the planning, financing, procurement, construction and operating phases of parts of the network
- 9 **agree** that the NZTA, in conjunction with the Ministry of Transport and the Treasury, establish a process that can be used to assess all potential proposals and report back to the Minister of Finance and Minister of Transport
- 10 **agree** that the NZTA, in conjunction with the Ministry of Transport and the Treasury, will jointly establish and report back to the Minister of Finance and Minister of Transport on a process to engage with a range of prospective partners and provide advice on potential procurement options, including how partnership opportunities can be considered
- 11 **note** that a market sounding exercise, which could be included within a process described in recommendation 10, will signal the Government's commitment to the project and intention to consider partnership opportunities
- 12 **note** that important decisions still need to be worked through regarding delivery, governance, ownership and operation of the RTN network once it is built
- 13 **note** that the RTN governance arrangements are expected to reflect the standards and practices that have been developed for similar, significant projects in government and elsewhere, including clear decision rights and responsibilities and independent governors who can work alongside decision-makers and bring a whole of project perspective
- 14 **note** that a partnership approach with key organisations is envisaged for the delivery of the programme
- 15 **note** that the Minister of Transport will also consult with interested Ministers on specific RTN matters, including governance arrangements, funding and financing, and other additional measures that can help accelerate the city-to-airport link
- 16 **note** that the Minister of Transport expects to report back to Cabinet for approval of funding and governance arrangements following advice from officials and ministerial consultation
- 17 **note** that officials are considering options within existing legislative frameworks and also potential legislative changes to help deliver the city-to-airport link within the expected timeframe
- 18 **note** that that the Minister of Transport will consult with interested Ministers on the assessment of options described in recommendation 17 in the coming weeks, including the Minister for the Environment and the Minister for Land Information

- 19 **note** that the Minister of Transport submitted a legislative bid for an Auckland Rapid Transit Network Legislation Bill (the Bill) with a proposed priority of category 5, which means that it is expected to be referred to select committee within the 2018 calendar year; and
- 20 **note** that the Minister of Transport will report back to Cabinet on proposed legislative changes to be included in the Bill.

Authorised for lodgement

Hon Phil Twyford
Minister of Transport